

Message Text

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ACTION ARA-10

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 303

C O N F I D E N T I A L BOGOTA 7872

E.O. 11652: GDS

TAGS: EFIN, CO

SUBJECT: GOC POLICY ON FOREIGN BANKS

REF: BOGOTA 7628

1. SUMMARY. BOGOTA'S "EL ESPECTADOR" HAS FRONT PAGED A REPORT THAT FIRST NATIONAL CITY BANK HAD DECIDED TO CONTINUE OPERATING IN COLOMBIA AND TO RESPECT THE GOC'S POLICY OF REQUIRING FOREIGN OWNED BANKS TO TRANSFORM THEMSELVES INTO NATIONAL ENTITIES WITH MAJORITY COLOMBIAN EQUITY. NATIONAL CITY REPRESENTATIVES, HOWEVER, TOLD US THAT THE STORY IS ERRONEOUS; THAT THEY ARE CONTINUING DISCUSSIONS WITH GOVERNMENT OFFICIALS, INCLUDING PRESIDENT LOPEZ, IN AN EFFORT TO FIND SOME ALTERNATIVE TO A SELL-DOWN. END SUMMARY.

2. "EL ESPECTADOR'S AUG 19 REPORT STATED THAT "THE FIRST NATIONAL CITY BANK HAS DECIDED TO RESPECT THE DECISION OF THE GOVERNMENT TO NATIONALIZE 51 PERCENT OF ITS CAPITAL AND COMMUNICATED AT THE SAME TIME THAT IT WILL REMAIN IN COLOMBIA". THE DECISION WAS TERMED "SURPRISING" FOLLOWING ON THE BANK'S EARLIER LETTER TO THE BANKING SUPERINTENDENT IN WHICH IT RAISED OBJECTIONS TO
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THE GOVERNMENT'S POLICY. THE PAPER ADDED THAT IT HAD

BEEN ABLE TO CONFIRM THAT THE LOCAL NATIONAL CITY REPRESENTATIVES HAD TAKEN THE DECISION AFTER CONSULTATIONS WITH THEIR HOME OFFICE IN THE UNITED STATES.

3. NATIONAL CITY VICE PRESIDENTS ROBERT BOTJER AND RICHARD VALELLY TOLD THE AMBASSADOR LATER THAT DAY THAT "EL ESPECTADOR" REPORT WAS ERRONEOUS AND IN ESSENCE THAT THEIR POLICY CONTINUED AS OUTLINED IN BOGOTA 7628. VALELLY CALLED ON PRESIDENT LOPEZ AUG 18 TO DISCUSS THE SITUATION. HE REPORTED THE PRESIDENT'S ATTITUDE WAS "SYMPATHETIC" AND HE HAD THE IMPRESSION THAT THE PRESIDENT WOULD OUTLINE THE BANK'S PROBLEMS IN FAVORABLE TERMS TO FINANCE MINISTER BOTERO. WHILE HE FOUND THE PRESIDENT'S ATTITUDE SOMEWHAT MORE "FLEXIBLE" THAN HE MIGHT HAVE EXPECTED VALELLY DID NOT THINK THE PRESIDENT WAS YET WILLING TO OVERRULE HIS FINANCE MINISTER. BOTJER AND VALELLY ARE NOW SEEKING AN APPOINTMENT WITH BOTERO. THEY RECOGNIZE THAT THE GOC HAVING COMMITTED ITSELF FOR A SELL-DOWN POLICY WOULD FIND IT VIRTUALLY IMPOSSIBLE OPENLY TO REVERSE ITS POSITION. THEY THEREFORE HOPE TO FIND SOME FORMULA THAT WOULD PRESERVE THE ESSENCE OF THE GOVERNMENT'S POLICY WHILE AT THE SAME TIME PRESERVING THE SUBSTANCE OF NATIONAL CITY'S OPPOSITION TO A SELL-DOWN.

COMMENT: THE KEY QUESTION IS WHETHER THE FINANCE MINISTER WOULD BE SATISFIED WITH ANYTHING OTHER THAN MAJORITY COLOMBIAN EQUITY. WE ARE INCLINED TO BELIEVE THAT HE WOULD NOT BE AND THAT A CONFRONTATION IS STILL A LIKELY POSSIBILITY.

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